
FISCAL UPDATE Article

Fiscal Services Division

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Des Moines, Iowa 50319

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END OF SESSION — SCHOOL FINANCE LEGISLATION

Description. During the 2018 Legislative Session, the following legislation was approved that impacts school finance and State funding for schools in FY 2019 and FY 2020:

- [Senate File 455](#) (School Equity Act) has two divisions regarding school funding in Iowa. The first division adjusts the minimum State cost per pupil from \$6,731, as established in HF 2230 (School Foundation Funding Act), to \$6,736. This provides either an increase in spending authority or a decrease in property taxes for school districts. Division II of this Act creates a Transportation Equity Fund to buy down districts that have the highest district transportation cost per pupil. This Act was signed by the Governor on March 8, 2018.
- [House File 633](#) (Operational Sharing Extension Act) lifts the five-year limit on operations sharing for school districts, extends the additional weighting program until FY 2024, and allows school districts to enter into sharing agreements for the purpose of sharing a social worker and generating operational sharing weightings in the school aid formula at a level of 3.0 weights. This Act was signed by the Governor on June 1, 2018.
- [House File 2230](#) (School Foundation Funding Act) modifies and establishes provisions related to the funding of school districts, including establishing a State supplemental aid rate (percent of growth) and the categorical State percent of growth for the budget year beginning July 1, 2018 (FY 2019), and provides for other changes to the school aid formula. More information is available in the [Fiscal Note](#). The Act was signed by the Governor on March 7, 2018.
- [House File 2441](#) (School Funding Flexibility Act) makes several changes regarding the use of funds by school districts. Changes include the following:
 - Early Intervention categorical funds (\$34.9 million in estimated FY 2019, generated through the school aid formula) may be used for any school general fund purpose.
 - At-risk and dropout prevention programming will be approved by resolution of a district's school board, and modified supplemental aid (MSA) amounts will be submitted to and reviewed by the School Budget Review Committee (SBRC). The SBRC shall grant requests for MSA that meet the school district's approved plans. Plans are to be submitted by January 15 of the year preceding the budget year.
 - Specifies that At-Risk and Dropout Prevention MSA may be used to pay for staff including but not limited to administrative staff, psychologists, social workers, and school safety personnel.
 - Allows At-Risk and Dropout Prevention MSA to be used for any purpose that directly benefits students in the adopted program.
 - Removes limitations on the length of time allowed for the terms of school district property leases.
 - Creates additional allowable uses for unspent balances in school districts' Child Care Enterprise Fund.
 - Clarifies allowed uses of Home School Assistance Program funds.

The Act was signed by the Governor on April 11, 2018.

Fiscal Impact. The Acts dealing with school funding have various expected fiscal impacts. [House File 2441](#) is not expected to have a fiscal impact to the State of Iowa; [HF 633](#) will not have a fiscal impact until FY 2020, at which point it is estimated to increase the total State school aid cost of operational sharing by 5.0% compared to FY 2019.

[House File 2230](#) and [SF 455](#) interact to form the estimated FY 2019 school aid appropriation of \$3.227 billion. The school aid appropriation will be finalized by the Department of Management in June 2018. [Senate File 455](#) also includes a one-time appropriation of \$11.2 million for the Transportation Equity Fund.

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